

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Leach Analyst: Roger Lackey Bill Number: AB 1970

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 05-25-2000

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Increase Limited Liability Company Fee & Repeal Fee Adjustment

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 18, 2000, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

This bill would repeal the existing state law requiring the Franchise Tax Board (FTB) to conduct an annual study of the Limited Liability Company (LLC) Fee and subsequently adjust that fee upon certain findings.

This bill would revise the LLC Fee to be comparable to the fee amounts that were effective for the 1999 taxable year.

### SUMMARY OF AMENDMENT

The May 25, 2000, amendment would revise the LLC Fee to be comparable to the fee amounts that were effective for the 1999 taxable year. These fee amounts would be as follows:

- ◆ For total income from all sources reportable to California that is \$250,000 or greater, but less than \$500,000, the fee would be \$865.
- ◆ For total income from all sources reportable to California that is \$500,000 or greater, but less than \$1 million the fee would be \$2,595.
- ◆ For total income from all sources reportable to California that is \$1 million or greater, but less than \$5 million, the fee would be \$5,190.
- ◆ For total income from all sources reportable to California that is \$5 million or greater, the fee would be \$7,785.

As a result of the May 25, 2000, amendment, the implementation consideration regarding the LLC fee amounts no longer applies. In addition, a new Tax Revenue Estimate is included below. Except for the discussion in this analysis, the department's analysis of the bill as introduced February 18, 2000, still applies.

### Board Position:

<u>      </u> S	<u>      </u> NA	<u>      </u> NP
<u>      </u> SA	<u>      </u> O	<u>      </u> NAR
<u>      </u> N	<u>      </u> OUA	<u>      </u> X PENDING

### Legislative Director

### Date

Johnnie Lou Rosas

6/13/00

TAX REVENUE ESTIMATE

Based on limited data, revenue losses from this bill are projected to be as follows:

Estimated Revenue Impact of <b>AB 1970</b> As Amended May 25, 2000 Taxable Years Beginning After 12/31/1999 and Enactment Assumed After 6/30/2000 (In \$Millions)			
Fiscal Years	2000-01	2001-02	2002-03
Revenue Impact	<b>(\$14)</b>	<b>(\$16)</b>	<b>(\$17)</b>

Any possible changes in employment, personal income, or gross state product that might result from this provision are not taken into account.

Tax Revenue Discussion

The estimates above are based on available information for LLCs and previous analyses on annual fee determinations. Revenue losses can fluctuate in future years depending on the number of LLCs, the composition of income/losses for these entities, and changing economic conditions.

BOARD POSITION

Pending.